

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6272**

**BILL NUMBER:** SB 169

**NOTE PREPARED:** Mar 26, 2013

**BILL AMENDED:** Mar 21, 2013

**SUBJECT:** Fire Insurance Proceeds Set-Aside.

**FIRST AUTHOR:** Sen. Head

**FIRST SPONSOR:** Rep. Lehman

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill applies the law concerning insurance proceeds escrow deposits (law) to all cities and towns, phased in over three years. The bill defines "final settlement" for purposes of the law. It specifies requirements for application of the law. The bill also requires the State Fire Marshal to maintain a list of municipalities electing governance under the law and sets an annual fee for electing municipalities. The bill specifies maximum amounts to be set aside and costs for which the proceeds may be used by a municipality and repeals a definition made obsolete by the bill.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Summary:* The provision of this bill requiring the State Fire Marshal to maintain a list of municipalities that would receive insurance proceeds for damages to buildings and structures caused by fire explosion is estimated to increase state expenditures by approximately \$129,000 in the first year and approximately \$79,000 every year thereafter.

**Additional Information:**

Under the bill, the State Fire Marshal would be required to maintain the required list of municipalities, distribute this list to all insurers transacting property insurance in the state, make the list available on the Internet, and specify the effective date of each addition of a municipality on the list (as well as provide notifications specified in the bill).

The Indiana Department of Homeland Security (IDHS) reports the provisions of the bill will require the creation of a new database to maintain information on the municipalities that wish to participate. The costs of creating this database are estimated to be a one-time cost of approximately \$50,000. The IDHS also reports one FTE staff position will be required to manage the creation, maintenance, and updates necessary for the database as well as distribute the required notifications and process requests for participation submitted by interested municipalities. The estimated cost for this position is approximately \$79,000 in salary and fringe benefits per year.

**Explanation of State Revenues:** Under the bill, the costs of being included in the list maintained by the State Fire Marshal is \$100 per municipality per year.

The Indiana State Board of Accounts reports the following local government make-up of the state.

Status and Population	Class	Number
250,000 +	First Class	1
35,000 - 249,999	Second Class	19
Less than 35,000	Third Class	99
Other municipalities of any population	Towns	447

The current definition of “city” for purposes of insurance proceeds set-asides (IC 27-2-15) is limited to the cities of Gary and Hammond. Because the bill repeals this definition of “city”, any city or municipality could elect to be included in the list maintained by the State Fire Marshal. Therefore, a total of 566 cities and towns could elect to be included in the State Fire Marshal list.

If 10% of these eligible cities and towns would elect to be included on this list, the State Fire Marshal could receive approximately \$5,700 annually to implement the bill.

**Explanation of Local Expenditures:** Under the bill, local municipalities would be required to submit a notification to the State Fire Marshal to receive insurance proceeds for damages to buildings or structures caused by a fire or explosion. Increases in local workload are expected to be minimal.

Under the bill, the costs of being included on the list maintained by the State Fire Marshal is \$100 per municipality per year. As a result, local expenditures for municipalities that elect to be included on this list could increase by \$100 per year.

**Explanation of Local Revenues:** The bill could result in local governments receiving insurance proceeds to recoup certain costs incurred for demolition or rehabilitation of damages to a building or structure caused by a fire or explosion. Under the bill, local governments included on the State Fire Marshal’s list would receive the lesser of 10% of the available insurance proceeds (if any), an amount equal to the certified amount, or \$7,000 for a residential and \$15,000 for a nonresidential building or structure. The specific impact will depend on the number and nature of damages caused by fire or explosions.

**State Agencies Affected:** State Fire Marshal.

**Local Agencies Affected:** Municipalities.

**Information Sources:** Indiana State Board of Accounts; Mara Snyder, Indiana Department of Homeland Security.

**Fiscal Analyst:** Bill Brumbach, 232-9559.